



Salinas
Energy Limited

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 16 MAY 2008

EXCELLENT OIL SHOWS IN LATEST HORIZONTAL WELL AT NORTH SAN ARDO

Salinas Energy is pleased to advise that the third horizontal production well in the current drilling program, Lombardi 11-27H, has been successfully drilled on the Company's 100% owned North San Ardo oil field (NSA)

Excellent oil shows continue to be encountered in the Lombardi reservoir in this latest NSA production well with electric logs indicating good to excellent oil shows over the entire length of the horizontal section. A slotted production liner has been successfully run over an 839 feet horizontal section and the well will now be completed for production. The rig is being moved to the final production well to be drilled in the current program, Lombardi 12-27.

The Lombardi 13-27H well, the second well drilled in the program, has been cleaned up and will be on full production within the next few days. The latest well will bring the total number of horizontal producers in the NSA field to six with over 5,200 feet of reservoir section being open to production from the horizontal wells drilled by Salinas in the field. Increased total field production rates and initial oil rates from the Lombardi 13-27H well are expected to be reported early next week.

Commenting on the latest well Salinas' Managing Director John Begg said:

"The drilling program continues to go well and we have been very pleased with the results to date with wells getting drilled safely, on time, within budget and with good productivity. We are now moving onto the last well in the current program after which we will assess the performance of all the new wells and determine the optimal timing for further production drilling at the field which at this stage, is planned for the third quarter of 2008."

Enquiries:

Managing Director:

Finance Director:

Telephone:

Website:

John Begg

Dougal Ferguson

08 9380 2111

www.salinasenergy.com